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10
11 **BEFORE THE**
CALIFORNIA GAMBLING CONTROL COMMISSION
12 **STATE OF CALIFORNIA**

13
14 **In the Matter of the Accusation Against:**

15 **LOUIS SARANTOS, JR.**
16 **Sole Proprietor, d.b.a.**
17 **CLOVIS 500 CLUB**
18 **771 W. Shaw Avenue, Suites 101-108**
19 **Clovis, California 95312**

20 **LICENSE NUMBERS GEOW-002381,**
21 **GEGE-001013**

22 **Respondent.**

23
24 **In the Matter of the Accusation Against:**

25 **LOUIS SARANTOS, JR.**
26 **Sole Proprietor, d.b.a.**
27 **CLOVIS 500 CLUB**
28 **771 W. Shaw Avenue, Suites 101-108**
Clovis, California 95312

LICENSE NUMBER GEOW-00238

Respondent.

BGC Case No. HQ2017-00001AC

OAH No. 2017080872

BGC Case No. HQ2015-00003AC

OAH No. 2015090347

**STIPULATED SETTLEMENT,
DECISION, AND ORDER**

1 **STIPULATED SETTLEMENT**

2 **PURPOSE OF THIS STIPULATED SETTLEMENT**

3 This Stipulated Settlement is to globally resolve the Accusation in BGC Case Number
4 HQ2017-00001AC and the Second Amended Accusation and Statement of Issues in BGC Case
5 Number HQ2015-00003AC (collectively, Accusations). This Stipulated Settlement constitutes a
6 settlement and compromise between the parties to the Accusations. Each Accusation seeks to
7 discipline Respondent Louis Sarantos, Jr.'s (Respondent) state gambling license for violations of,
8 and lack of suitability for continued licensing under, the Gambling Control Act (Act) (Bus. &
9 Prof. Code, § 19800 et seq.) and the regulations adopted thereunder. Case Number HQ2015-
10 00003AC also seeks to deny Respondent's application to renew his state gambling license.

11 **PARTIES**

12 1. Wayne J. Quint, Jr. (Complainant) brought both Accusations solely in his official
13 capacity as the Director of the California Department of Justice, Bureau of Gambling Control
14 (Bureau). Nathan DaValle currently is the Bureau's Acting Director.

15 2. Pursuant to Owner's Gambling License, license number GEOW-002381,
16 Respondent owns and operates the Clovis 500 Club, license number GEGE-001013. The
17 California Gambling Control Commission (Commission) issued these licenses.

18 3. On September 24, 2015, the Commission issued an interim renewal license to
19 Respondent pursuant to California Code of Regulations, title 4, section 12035, subdivision (a)(1)
20 and (3). California Code of Regulations, title 4, section 12035, subdivision (b)(2), provides that
21 an interim renewal license is valid for a period of two years or until a decision is final under the
22 Commission's regulations, whichever is earlier.

23 **JURISDICTION**

24 4. Respondent was served with each Accusation, as well as a Statement to
25 Respondent (Gov. Code, § 11505, subd. (b)), copies of Government Code sections 11507.5,
26 11507.6 and 11507.7, and two copies of the Notice of Defense form (Gov. Code, §§ 11505 &
27 11506). In conjunction with each Accusation, Respondent was served with a Request for
28 Discovery (Gov. Code, § 11597.6).

1 11. Respondent understands and agrees that the admissions made in paragraph 10
2 above may be entered into evidence in any legal proceeding brought or prosecuted by the
3 Commission or the Bureau, as if those admissions were made under oath and penalty of perjury.
4 The admissions made by Respondent herein are only for the purposes of this proceeding, or any
5 future proceedings in which the Bureau, the Commission, or any successor agency is involved
6 regarding gambling activities, and shall not be otherwise admissible in any criminal, civil, or
7 unrelated administrative proceeding.

8 12. Upon the effective date of the Decision and Order issued by the Commission
9 adopting this Stipulated Settlement (the Effective Date), Respondent's pending state gambling
10 license application will be granted and his state gambling license will be renewed. Immediately
11 thereafter, Respondent's state gambling license will be revoked. The revocation, however, shall
12 be stayed as provided in paragraph 13 of this Stipulated Settlement. Respondent acknowledges,
13 understands, and agrees that the stay of revoking his state gambling license is intended to
14 preserve the Clovis 500 Club's existence for purposes of Business and Professions Code sections
15 19962 and 19963, to allow a possible sale of Clovis 500 Club's assets or business, and to allow
16 Clovis 500 Club to be going concern for whatever benefits that it may provide its employees, the
17 community, and general public.

18 13. Revocation of Respondent's license shall be stayed for 12 months from the
19 Effective Date (the Stay Period) during which time Respondent shall make a good faith and
20 diligent effort to sell Clovis 500 Club's assets or business. Upon Respondent's showing of good
21 cause and diligence, the Commission may extend the Stay Period for an additional 12 months.
22 Except as provided herein, under no circumstances may the Stay Period be extended or otherwise
23 lengthened beyond 24 months from the Effective Date. At the end of 12 months and any
24 extension not to exceed 12 months, the Stay Period will expire, except if a complete application
25 for approval of a sale (the Sale Application) is pending before the Bureau and/or the Commission,
26 in which case the Stay Period shall continue until the earliest of (a) March 31, 2020, including
27 any license-extension period allowed by the Act, (b) the date the Commission denies the Sales
28 Application, or (c) the date that a sales transaction is closed and ownership is transferred

1 following the Commission's approval of the Sale Application. The Bureau recognizes and
2 acknowledges that good cause exists to expedite review of any Sale Application because of the
3 Emergency Order, the installation of the Manager, and to preserve and protect the possible
4 interests of Clovis 500 Club's employees, the community, and general public.

5 a. The Stay Period shall terminate, and Respondent's license revoked, upon any of
6 the following events: (1) Respondent closes a sale of Clovis 500 Club's assets or
7 business (Sales Event); or (2) a violation of, or failure to comply with, the
8 conditions set forth in paragraph 14 of this Stipulated Settlement after the
9 expiration of the Cure Period as defined below. Respondent warrants, represents,
10 and agrees that any Sales Event shall be subject to the Commission's prior
11 approval.

12 b. Upon the expiration or termination of the Stay Period, Respondent's state
13 gambling license shall be automatically revoked without hearing or any right to
14 appeal. Respondent expressly waives any right to appeal, or to contest, such
15 revocation. Respondent further expressly waives any right to hearing on such
16 revocation.

17 14. Pending the Commission's adoption of this Stipulated Settlement, Respondent
18 shall comply in all respects with the Emergency Order. From the Effective Date and during the
19 Stay Period, Respondent shall comply in all respects with the conditions set forth in this
20 Stipulated Settlement. Respondent understands and agrees that the violation of, or failure to
21 comply with, any of the conditions set forth in this paragraph 14 shall constitute a sufficient basis,
22 in and of itself, to terminate the stay, making revocation of his state gambling license immediately
23 effective.

24 a. The Clovis 500 Club shall maintain a separate, specifically designated, insured
25 account with a financial institution into which an amount equal to the chip liability
26 shall be deposited. The funds in this account shall be used only to redeem chips.
27 No withdrawals shall be made from this account without the Bureau's prior written
28 consent. The account shall not be used as collateral, or encumbered, or

1 hypothecated in any fashion. Notwithstanding this provision, the Clovis 500 Club,
2 in the Manager's discretion, may maintain up to \$125,000 of the Chip Account in
3 the Clovis 500 Club's cages or vault that is segregated from all other funds and is
4 used exclusively to cash in patron chips.

5 b. The Clovis 500 Club shall engage a manager (Manager) approved by the Bureau.
6 Any person engaged as the Manager shall hold a current portable key employee
7 license issued by the Commission. The Manager shall be independent from, and
8 certify under penalty of perjury his or her independence from, Respondent and
9 from any of his affiliates.

10 c. The Manager shall be responsible for, and control, the Clovis 500 Club's
11 operations in all respects, including, without limitation: (1) hiring, supervision,
12 and termination of employees; (2) selection, scheduling, and supervision of all
13 controlled games; (3) implementing and maintaining appropriate internal control,
14 security, and surveillance procedures; (4) depositing and accounting for all
15 revenues, receipts, players' funds, and other funds and collections in appropriate
16 bank accounts; (5) overseeing compliance with all applicable laws, rules, and
17 regulations, including, but not limited to the Act; and (6) determining the amount
18 of any reserves or funds necessary to assure the Clovis 500 Club's continued
19 operations, to preserve it as a going concern, and to comply with California Code
20 of Regulations, title 11, section 2053, subdivision (a).

21 d. All funds received from the Clovis 500 Club's players or patrons in exchange for
22 chips shall be held separately as required by paragraph 14a above. The funds so
23 held shall be used only to redeem chips. No less than once every business day, the
24 Manager, or an employee whom he or she may designate, shall deposit such funds
25 into the account as he or she determines necessary in accordance with paragraph
26 14a above.

27 e. The Manager shall provide the Bureau each week, or periodically as determined by
28 the Bureau, with a statement of sources and uses of funds, a profit and loss

1 statement, and a statement of outstanding chip liability. Each statement shall be in
2 a form satisfactory to the Bureau. Additionally, the Manager shall provide the
3 Bureau with any other reports or statements that the Bureau may require. Further,
4 the Manager shall make the Clovis 500 Club's books and records available to the
5 Bureau for inspection immediately upon demand.

6 f. The Clovis 500 Club shall bear all costs associated with, or incurred in connection
7 with engaging and retaining the Manager and the Manager's performance of his or
8 her responsibilities under this Emergency Order. Respondent shall not have the
9 power to terminate the Manager without the Bureau's prior written approval.

10 g. Respondent shall not be allowed on the Clovis 500 Club's premises without the
11 Bureau's prior written permission. If Respondent is allowed on the premises, he
12 shall comply with all limitations and provisions set forth in the Bureau's writing
13 granting permission.

14 h. The Manager shall not hire, engage as an independent contractor, or otherwise
15 allow participation in the Clovis 500 Club's operations by (1) Respondent, (2)
16 Dusten Perry, and (3) any of Respondent's family members, or any entities owned
17 or controlled by Respondent.

18 i. Except as required for Clovis 500 Club's continued operations, its preservation as
19 a going concern, and compliance with California Code of Regulations, title 11,
20 section 2053, subdivision (a), these conditions shall not affect, and do not limit,
21 Respondent's right to receive profits from the Clovis 500 Club's operations. In
22 addition, upon reasonable notice, Respondent's agents shall have access to the
23 Clovis 500 Club's books and records, as well as any documents or information that
24 Respondent or his agents deem necessary to the defense of any criminal matter, or
25 defense or prosecution of any civil, or administrative cases, actions, or matters.
26 Respondent shall advise the Manager in writing of each agent to have access
27 provided under this paragraph, the scope of such access, and when, or if, such
28 access should no longer be allowed.

1 j. If any of the terms and conditions of paragraph 14 or its subparts of this Stipulated
2 Settlement are violated as a result of the Manger's acts or omissions, Respondent
3 shall have 10 calendar days (the Cure Period) to cure the violation.

4 i. If the Manager's violation is discovered by Respondent or his agents,
5 Respondent shall immediately notify the Bureau in writing of the violation.
6 The Cure Period shall run from the date that Respondent discovered the
7 violation.

8 ii. If the Manager's violation is discovered by the Bureau, the Bureau shall
9 notify the Respondent in writing of the violation. The Cure Period shall
10 run from the date that email notice was served upon the Respondent and his
11 Designated Agent; said notice to be served within normal business hours
12 on a business day. Notice shall also be sent via overnight mail to
13 Respondent and his Designated Agent.

14 iii. During the Cure Period, Respondent shall be entitled to take any and all
15 actions necessary to cure the violations, including, but not limited to,
16 terminating the Manager in accordance with this Stipulated Settlement and
17 hiring a new Manager subject to approval by the Bureau. If Respondent
18 terminates the Manager for violation of this subpart, a key employee
19 licensee designated by Respondent and approved by the Bureau may serve
20 as the interim manager of the Clovis 500 Club to oversee its operations.

21 15. Respondent agrees that he shall be deemed ineligible during his lifetime to hold
22 any license, registration, finding, or permit issued under the Act or any other law relating to
23 gambling in the state, or for any activity that is under the Commission's, the Bureau's, or any
24 successor agency's jurisdiction.

25 16. Respondent has been advised and, therefore understands and acknowledges, that
26 upon the Effective Date of the Decision and Order issued by the Commission adopting this
27 Stipulated Settlement, his interim renewal license will cease to be valid and will be automatically
28 canceled. (Cal. Code Regs., tit. 4, § 12035, subd. (b)(2).)

1 17. Respondent agrees to pay to the Bureau penalties in the amount of \$500,000
2 (Penalties) for the violations alleged in the Accusations and admitted to herein. The Penalties
3 shall be paid, and will be deposited, in accordance with Business and Professions Code section
4 19950, subdivision (a). The Penalties will be paid upon expiration or termination of the Stay
5 Period.

6 a. If the Stay Period terminates as the result of a Sales Event, the Penalties will be
7 paid in full upon the closing. Respondent shall instruct the purchaser under any
8 sales or similar agreement and the escrow holder to pay \$500,000 at the closing to
9 the Bureau, which shall have a lien on the proceeds of the sale for the Penalties.

10 b. If Respondent defaults in payment of the Penalties in any way, he agrees that the
11 Commission's Decision and Order adopting the Stipulated Settlement may be
12 presented to the Sacramento County Superior Court and, after notice to
13 Respondent and an opportunity to be heard, judgment entered thereon.
14 Respondent further agrees that the judgment shall include interest, calculated at the
15 maximum rate allowed by law to accrue from the Effective Date of the
16 Commission's Decision and Order. Respondent also agrees that the judgment
17 shall include the Bureau's costs of obtaining, enforcing, and collecting the
18 judgment. Costs shall include reasonable attorney fees calculated at then
19 prevailing hourly rates for services provided in the private sector for attorneys of
20 comparable experience.

21 18. Respondent also agrees to pay the Bureau the sum of \$100,000 (Cost Recovery) as
22 the reasonable costs of investigation and prosecution of the Accusations as provided for in
23 Business and Professions Code section 19930. The Cost Recovery shall be paid, and will be
24 deposited, in accordance with Business and Professions Code sections 19930, subdivision (f), and
25 19950, subdivision (b). The Cost Recovery will be paid upon expiration or termination of the
26 Stay Period.

27 a. If the Stay Period terminates as the result of a Sales Event, the Cost Recovery will
28 be paid in full upon the closing. Respondent shall instruct the purchaser under any

1 sales or similar agreement and the escrow holder to pay \$100,000 at the closing to
2 the Bureau, which shall have a lien on the proceeds of the sale for the Cost
3 Recovery.

4 b. If Respondent defaults in payment of the Cost Recovery in any way, he agrees that
5 the Commission's Decision and Order adopting the Stipulated Settlement may be
6 presented to the Sacramento County Superior Court and, after notice to
7 Respondent and an opportunity to be heard, judgment entered thereon.
8 Respondent further agrees that the judgment shall include interest, calculated at the
9 maximum rate allowed by law to accrue from the Effective Date of the
10 Commission's Decision and Order. Respondent also agrees that the judgment
11 shall include the Bureau's costs of obtaining, enforcing, and collecting the
12 judgment. Costs shall include reasonable attorney fees calculated at then
13 prevailing hourly rates for services provided in the private sector for attorneys of
14 comparable experience.

15 19. The parties agree that this Stipulated Settlement fully resolves their dispute
16 concerning the Accusations, and that, except upon default, no further penalties, fines, and costs
17 shall be sought against Respondent based solely upon the allegations contained within the
18 Accusations. The Bureau and Respondent acknowledge that the funding mechanism for the
19 payment of the Penalties and Costs was intended to come from the proceeds of the sale of the
20 Clovis 500 Club. If the Stay Period expires or terminates without a closing on the sale of the
21 Clovis 500 Club, Respondent may apply to the Bureau to waive the Penalties and Costs. The
22 Bureau, in its sole discretion, shall have the power to approve or disapprove any request to waive
23 the Penalties and Costs.

24 20. This Stipulated Settlement shall be subject to adoption by the Commission.
25 Respondent understands and specifically agrees that counsel for the Complainant, and
26 the Bureau's staff, may communicate directly with the Commission regarding this Stipulated
27 Settlement, without notice to, or participation by, Respondent or his counsel, and that no such
28 communication shall be deemed a prohibited ex parte communication. Respondent specifically

1 acknowledges and agrees that such communications are permissible pursuant Government Code
2 section 11430.30, subdivision (b).

3 21. By signing this Stipulated Settlement, Respondent understands and agrees that he
4 may not withdraw his agreement or seek to rescind the Stipulated Settlement prior to the time the
5 Commission considers and acts upon it. If the Commission fails to adopt this Stipulated
6 Settlement as its Decision and Order, this Stipulated Settlement shall be of no force or effect, and,
7 except for actions taken pursuant to this paragraph and paragraph 20 above, it shall be
8 inadmissible in any legal action between the parties. The Commission's consideration of this
9 Stipulated Settlement shall not disqualify it from any further action regarding Respondent's
10 licensure, including, but not limited to, disposition of either or both Accusations by a decision and
11 order following a hearing on the merits.

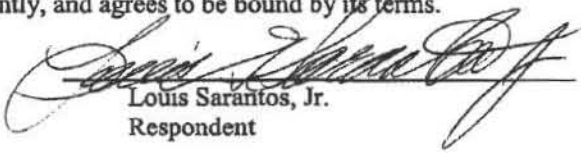
12 22. The parties agree that a photocopy, facsimile or electronic copy of this Stipulated
13 Settlement, including copies with signatures thereon, shall have the same force and effect as an
14 original.

15 23. In consideration of the above admissions and stipulations, the parties agree that the
16 Commission may, without further notice or formal proceeding, issue and enter the Decision and
17 Order adopting this Stipulated Settlement.

18 ACCEPTANCE

19 Respondent has carefully read and considered the above Stipulated Settlement. Respondent
20 has discussed its terms and effects with legal counsel. Respondent also understands the
21 Stipulated Settlement and the effects it will or may have on Respondent's state gambling license.
22 Respondent further understands that his state gambling license will be revoked. Respondent
23 further understands that he will be obligated to pay the Bureau a total sum of \$600,000 (\$500,000
24 in Penalties and \$100,000 in Cost Recovery). Respondent enters into this Stipulated Settlement
25 voluntarily, knowingly and intelligently, and agrees to be bound by its terms.

26 Dated: November 20, 2017

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Louis Sarantos, Jr.
Respondent

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Approved as to Form:

Dated: November 20, 2017

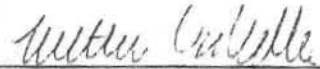
BETTS, RUBIN & McGUINNESS,
A Professional Corporation

By 
James B. Betts

Attorneys for Respondent

COMPLAINANT'S ACCEPTANCE

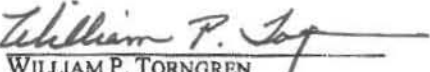
Dated: November 20, 2017


NATHAN DaVALLE, Acting Director
Bureau of Gambling Control
California Department of Justice

The foregoing Stipulated Settlement is hereby respectfully submitted for consideration by
the California Gambling Control Commission.

Dated: November 20, 2017

XAVIER BECERRA
Attorney General of California
SARA J. DRAKE
Senior Assistant Attorney General
NEIL D. HOUSTON
Deputy Attorney General


WILLIAM P. TORNGREN
Deputy Attorney General
Attorneys for the Complainant

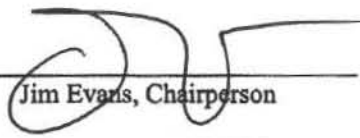
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DECISION AND ORDER OF THE COMMISSION

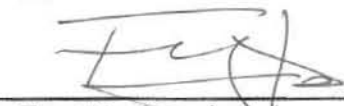
The California Gambling Control Commission hereby adopts the foregoing Stipulated Settlement of the parties for the cases of *In the Matter of the Accusation Against: Louis Sarantos, Jr., etc.*, BGC Case No. HQ2015-00003AC, and *In the Matter of the Accusation Against: Louis Sarantos, Jr., etc.*, BGC Case No. HQ2017-00001AC, as its final Decision and Order in these matters to be effective upon execution below by its members.

IT IS SO ORDERED

Dated: 12/18/17


Jim Evans, Chairperson

Dated: 12/18/17


Trang To, Commissioner

Dated: 12/18/17


Paula LaBrie, Commissioner